

*File personnel domestic relocation*

## ROUTING AND RECORD SHEET

SUBJECT: (Optional)

FROM:

Legislation Division

EXTENSION

NO.

DATE

5 December 1983

TO: (Officer designation, room number, and building)

DATE

RECEIVED

FORWARDED

OFFICER'S INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

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Attached is a copy of the regulations that I worked on with [ ] staff. We presented these regs to GSA on 25 November, where they appeared to be received favorably. Depending on how GSA and OMB implement these domestic relocation regulations, we can consider further legislative initiatives to remedy the Agency's domestic relocation problems.

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Washington, D. C. 20505

Mr. William F. McDade  
Deputy Director of Transportation  
Office of Federal Supply and Services  
General Services Administration  
Washington, D. C. 20406

Dear Mr. McDade:

Pursuant to recent conversations with [redacted] of my staff, I am forwarding for your consideration our thoughts and suggestions concerning the recent amendments to the relocation provisions of Title 5 of the United States Code contained in Section 118 of the Fiscal Year 1984 Continuing Resolution (H.J. Res. 413). We appreciate this opportunity to comment on the new bill and hope you will find our suggestions helpful. We are prepared to assist you and your staff in this challenging endeavor.

Based upon our experience, we believe that the amendments to Title 5 only partially remedy the increasing disparity between actual expenses incurred by our employees and the amounts authorized for reimbursement. Also there still remains a substantial difference between the private and public sector. Consequently, we recommend that these amendments be implemented to permit the maximum reimbursement possible while still maintaining flexibility so that agency and department heads may administer these provisions consistent with their own divergent mission requirements. In some cases, these amendments will only involve the substitution of new numerical limits. On the other hand, we believe the amendments authorizing the new benefits of tax reimbursement and contracts for relocation services will require substantial new regulations. The resulting implementing regulations will determine to what degree the federal employees will be made whole on domestic moves.

As reflected in the enclosed proposed modifications, we recommend that the tax reimbursement provision be written to permit payment of all taxes. When an agency determines that it will pay the taxes incurred, we recommend that the agency reimburse all subsequent taxes that accrue as a result of tax reimbursement. This total tax amount may be easily calculated using an industry-recognized "gross-up" formula, an example of which is contained in our proposed modifications.

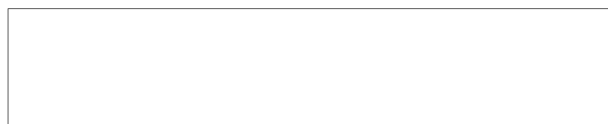
Clearly, the most challenging modification to implement concerns the new authority to contract for relocation services. We recommend a three-tier structure that maximizes flexibility and yet controls costs. First, the General Services Administration should enter into a limited number of contracts

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with organizations providing relocation services so that individual agencies may take advantage of standardized contract terms and favorable government rates. Second, individual agencies should also be authorized to enter into their own contracts for relocation services. Finally, we believe the implementing regulations should clearly indicate that an individual employee may select between the various authorized government contractors offering relocation services or may choose not to use any such service at all.

In closing, I again offer the services of my staff to answer any questions you may have about our suggestions or to assist you in any other way possible.

Sincerely,



/s/ Robert W. Magee  
Director of Personnel

Enclosure

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## PROPOSED MODIFICATION TO THE FEDERAL TRAVEL REGULATIONS

INCREASED WEIGHT ALLOWANCES The amendments to 5 U.S.C. Section 5724(a)(2) and 5726(b) increased the net weight limitation for household goods and personal effects from 11,000 lbs. to 18,000 lbs. The regulations implementing these weight limits should be revised not only to implement the new statutory maximum but also to remove, to the extent permitted by law, the restrictions on what items may be included within these weight limits. In this way, government employees may use more completely and effectively this increase in the weight limitation.

INCREASED TEMPORARY QUARTERS SUBSISTENCE EXPENSES The amendments increased the duration and removed a statutory limit on the subsistence expenses for which employees may be reimbursed. We recommend that agencies be authorized to increase the time period for which transferred employees may receive subsistence expenses pursuant to Section 5724a(3) from the current 30 days with 30 days extension to 60 days with 60 days extension. The amendment eliminating the "step-down" requirement should also be promulgated in Section 2-5 of the Federal Travel Regulations (FTR) to authorize the current initial ten-day rate for both the employee and dependents for the entire authorized period.

In addition, we recommend that the FTR be revised so that the maximum statutory per diem is paid to the initial occupant of the temporary quarters (vice the employee) as is presently the case in the Standardized Regulations. This would permit a family member in temporary quarters to receive full subsistence when the employee is on temporary duty. The second and subsequent occupant authorized subsistence should receive two-thirds of maximum statutory per diem. The subsistence expenses should be averaged over the full period that temporary quarters are occupied, not to exceed the authorized period.

TAX REIMBURSEMENT PROVISION We suggest that a flexible regulation implementing the tax reimbursement authority contained in Section 5724b be implemented in a new paragraph of the FTR. This regulation could provide as follows:

## REIMBURSEMENT OF TAX INCURRED

(a) An agency may expend appropriated funds or other funds available to the agency for administrative expenses to reimburse all or part of the federal, state, and city income taxes incurred by an employee, or by an employee and such employee's spouse (if filing jointly), for any moving or storage expenses furnished in kind, or for which reimbursement of an allowance is provided (but only to the extent of the expenses paid or incurred). For the purpose of this paragraph, "moving and storage expenses" shall include any expense allowable under this Chapter as well as the value of services provided under a relocation service contract authorized by this Chapter.

(b) In the event that an agency decides to reimburse all or part of any taxes incurred pursuant to the authority contained in subparagraph (a) above, that agency shall also reimburse the taxes incurred due to the reimbursement of taxes pursuant to subparagraph (a), as well as all subsequent iterations of taxes incurred. Payment based on the following formula shall constitute payment of all taxes incurred:

$$\frac{1}{1-P} \times R = \text{reimbursed amounts plus tax incurred,}$$

where "P" is the employees estimated incremental tax bracket at the time of reimbursement for the tax year in which reimbursement is made and "R" is the amount reimbursed.

RELOCATION SERVICES CONTRACTS Although the legislative history surrounding the relocation service contracting authority granted in new Section 5724c is scant, it is known that this provision was added as a last minute compromise. It is our belief that the intent of Congress expressed by this provision was to enhance the benefits available to transferred government employees consistent with the domestic relocation provisions contained in Title 5 of the United States Code. Consequently, we recommend implementing a regulation that utilizes the maximum extent of this new authority without overstepping the defined limits contained elsewhere in Title 5. Our proposed regulation implementing this new authority is set out below:

#### CONTRACTS WITH RELOCATION SERVICES

(a) GSA and heads of other agencies may enter into contracts to provide relocation services to agencies and employees. These contracts may include the following services:

(1) Assistance in selling a home Expenses that are contained in an authorized contract, except any prepaid expenses (e.g. escrow payments, insurance, taxes), are allowable without regard to whether such expenses would be allowable under other provisions of this Chapter. A relocation service contractor may include the payment of points or other forms of mortgage assistance as allowable expenses under a contract to sell a home. In no event may that portion of a contract expense attributable to the sale of a house exceed the amount determined pursuant to Section 2-6.2g.

(2) Assistance in purchasing a home Expenses that are contained in an authorized contract, except any prepaid expenses (e.g. escrow payments, insurance, taxes), are allowable without regard to whether any such expenses would be allowable

under other provisions of this Chapter. A relocation contractor may include the payment of points or other forms of mortgage assistance as allowable expenses under a contract to purchase a home. In no event may that portion of a contract expense attributable to the purchase of a house exceed that amount determined in Section 2-6.2g.

(3) Other services Relocation service contracts may provide relocation services other than arranging for the purchase and sale of a residence. These services may include but are not limited to:

- Transportation of household effects
- Storage of household effects
- Temporary quarters
- Househunting trips
- Return to residence after reporting to new duty stations
- Property management
- Relocation tax or financial counseling
- Child care
- Spouse career assistance

Where such other services are covered by limits contained in other sections of this Chapter, those limits will apply to the expenses attributable to those services. Where a service is not addressed elsewhere in this Chapter, the expense attributable to that service shall be reasonable.

(b) The fee for arranging the contract service is in addition to the expenses attributable to the service performed and shall not exceed the customary rate for the area in which the service is performed.

(c) An employee is not required to utilize any relocation service provided by an individual agency, department or GSA under this paragraph. When a relocation service is not used all reimbursements will be based on provisions under Chapter 2 of this regulation.